

2001-2002 ANNUAL REPORT



International Marketing Program

Washington State Department of Agriculture

Valoria H. Loveland, Director



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2001-2002 ANNUAL REPORT

International Marketing Program

Prepared by International Marketing Staff

Bill Dallas

Eric Hurlburt

Janet Leister

Jon Sonen

Leisa Schumaker

Greg Wright

Meg VanSchoorl

Contributing Content & Conceptual Design Editor

Filiz E. Satir

Layout

Jeff Larsen

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A Message from WSDA Director Loveland



I am pleased to present the 2001-2002 Annual Report of the Washington State Department of Agriculture (WSDA) International Marketing Program.

The International Marketing (IM) Program works in partnership with the Washington state food and agriculture industry to help companies export their products to foreign markets. This report documents how the IM Program and its industry partners assisted companies to export \$136 million in products during the past fiscal year. Those export sales generated approximately \$6 million in tax revenues and created more than 2,000 jobs in our communities.

Washington state benefits from having one of the most diversified food and agriculture industries in the United States. As the second largest employer after aerospace, the industry clearly plays a major role in the state's economic vitality. Urban and rural communities are home to the tens of thousands of workers who grow, process, package, and distribute these products. When the agriculture and food industry prospers, so do the workers and the communities in which they reside. When the industry suffers as it has the last few years – from drought, energy prices, product oversupply, heightened foreign competition, weak markets, and the strong dollar – the consequences are felt not only by individual employees and their families, but ripple out into their communities and the state as a whole.

With nearly \$4 billion in international sales this past year, our agricultural industry is reliant upon foreign partners to purchase products ranging from apples to French fries, shellfish to soft white wheat, cherries to Christmas trees. Export sales not only bring direct revenue to producers and processors but also support and stabilize prices for those who market domestically.

After reviewing this report, I hope that you will agree that our state receives a significant return on its investment in the WSDA International Marketing Program.

Sincerely,



Valoria Loveland, Director

OVERVIEW

INTERNATIONAL MARKETING PROGRAM

Mission and Services

The Washington State Department of Agriculture's International Marketing (IM) Program works in partnership with the food and agriculture industry to assist Washington state companies to sell their products internationally.

The International Marketing Program played a key role in generating \$136 million in foreign sales during fiscal year 2002. Those sales resulted in \$6 million in tax revenue to the state of Washington.

The program's six-member staff and two overseas representatives offer a broad range of practical services to Washington companies that include:

- 🌐 **Matching overseas buyers with Washington suppliers** through inbound and outbound trade missions, trade shows, trade leads, foreign in-store promotions, and showcases of Washington products.
- 🌐 **Using in-country representatives in key markets** to introduce buyers to suppliers; arrange in-country business and government meetings for Washington companies; and help prevent and resolve trade disputes.
- 🌐 **Connecting industries and companies with USDA grants and financing** that will help achieve their export and domestic goals, such as Specialty Crop Grants; Value-Added Product Market Development Grants; GSM 102 and Supplier's Credit Guarantee Programs; branded and generic funding through the Market Access Program; and the Federal-State Marketing Improvement Program.
- 🌐 **Working to resolve trade barriers and phytosanitary issues** in partnership with commodity commissions, industry organizations, federal agencies, and foreign officials.
- 🌐 **Organizing export readiness consultations** for those companies that are new to export or are changing market direction.
- 🌐 **Presenting seminars and informational materials** such as the Food and Agriculture Buyer's Guide; the Exporters' Catalog; and Japanese-language guides on Exporting Chipping Potatoes to Japan and Food Ingredients for Japan.

Staff, contractors and the advisory committee

For fiscal year 2002, International Marketing had 5.5 fulltime equivalent (FTEs) staff in Olympia and Yakima and two agricultural trade representatives under contract in Japan and Taiwan.



A VITAL STATE ECONOMY DEPENDS ON FOREIGN MARKETS

- Washington ranks 8th in the nation for agricultural export sales.
- One in three jobs in Washington result from international trade.
- For every \$1 million in export sales, 18 to 22 jobs are created.
- After airplanes, agricultural products figure as the second largest export.
- Agriculture is the state's second largest employer after aerospace.
- WSDA's International Marketing Program played a key role in generating \$136 million in foreign sales during fiscal year 2002.



- Annually, our state exports between \$3.5 and \$5 billion of food and agricultural products.
- Each year, ports in Puget Sound export more than 14.1 million metric tons of agricultural products, valued at \$6 billion.
- In fiscal year 2002, exports of agricultural products and food totaled \$3.91 billion.
- Major Washington export crops and processed foods are:
 - Processed Foods: \$1.1 bil.
 - Wheat: \$970 mil.
 - Seafood: \$500 mil.
 - Apples: \$243 mil.

At the end of the fiscal year, we were able to contract for representation in China and Southeast Asia using one-time *Specialty Crop Grant* funding from USDA (Attachment 1).

Following a strategy recommended by our customers and stakeholders, IM staff is assigned along the lines of major industry sectors. Each staffer works with two to three sectors, becoming familiar with the sectors' leaders, companies, products, export goals and barriers. This enables IM to tailor services to each industry sector and company rather than taking the approach that "one size fits all."

In addition, each IM staff member is also responsible for specific country or regional markets and for being knowledgeable about USDA trade programs that can benefit industry (Attachment 2).

Working hand-in-hand with the International Marketing staff, the job of our overseas trade representatives is to assist Washington state food and agriculture companies to increase sales in their respective markets. They do so by: (1) arranging and accompanying Washington companies on in-country appointments; (2) conducting market research for specific products; (3) leading buyer or supplier missions to or from Washington state; (4) organizing trade shows and seminars; and (5) assisting when shipments encounter problems after arriving at their destination.

Each of the in-country agricultural trade representatives with whom IM contracts also has separate agreements with Washington state agricultural commissions or associations. Our contractor in Japan also represents the wine and cherry industries. Our Taiwanese contractor acts on behalf of the cherry and apple industries as do our new China and Southeast Asia contractors.

"With only 25% of Washington's agricultural products consumed here at home, bolstering trade relations and opening new markets is key to our state's economic health."

— Governor Gary Locke

These connections give us strong, ongoing links with the agriculture/food industry and are practical mechanisms for cross-selling Washington products abroad. Commissions provide funds for promotions and advertising that supplement the core operational support paid to the contractors by WSDA.

Further underscoring the close connection to industry, the IM Program depends upon an Advisory Committee to help ensure that IM addresses real needs, that it complements but does not duplicate industry efforts, and that it targets scarce resources well. The 13 Advisory Committee members include representatives of agricultural commodity commissions and associations, processed food and horticultural companies, trade policy firms, and consolidators (Attachment 3).

Budget: How we leverage additional funds

For fiscal year 2002, the IM general fund budget was \$873,315, which supported the six in-state staff, the two in-country agricultural trade representative contracts and associated costs.

As we do every year, we aggressively pursued external fund sources in order to leverage our state funds. As an active member of the Western U.S. Agricultural Trade Association (WUSATA), this year IM managed or co-managed nearly \$300,000 in USDA Market Access Program (MAP) Generic Program funds dedicated to projects that targeted Japan, Southeast Asia, Taiwan, Mexico and Europe for the benefit of the following industries:

- 🌱 Ornamental and landscape plants
- 🌱 Processed foods
- 🌱 Seafood
- 🌱 Organic foods
- 🌱 Food ingredients

USDA's Federal-State Marketing Improvement Program was another competitive funding source that IM successfully tapped for \$110,000 for projects benefiting the Northwest potato and Pacific Coast shellfish industries. And, again, through WUSATA, 22 Washington exporters were awarded \$592,000 in matching funds for promotions through USDA's MAP branded program.

USDA Specialty Crop Funds help industry respond to opportunities and overcome trade barriers

In August 2001, President Bush signed into law an agricultural economic assistance package, which directed USDA to provide \$159.4 million to states to support activities promoting agriculture. The funds were required to be used to benefit "specialty crops," which are defined as everything other than "program crops" such as wheat, soybeans, and cotton.

Washington State received an allocation of \$10.1 million of "specialty crop money" — the third highest allocation in the U.S. after California and Florida. Of that amount, WSDA set aside \$1.4 million specifically for the promotion of Washington food and agriculture products and the reduction of foreign trade barriers for these products. These funds were offered on a competitive basis as one-time matching grants to commodity commissions, industry associations and non-profit organizations representing diverse food and grower interests.

The goal of the *Market Promotion Grant Program* is to increase the sales of products both in overseas and U.S. markets.

These funds have been used for:

- 🌐 In-store promotions
- 🌐 Sales missions
- 🌐 Trade shows
- 🌐 Other marketing activities

To help the Washington agriculture and food industry face an “even playing field,” the ***Trade Barrier Matching Fund Program*** provides seed money for industry groups’ efforts to defeat trade barriers. Potato, cherry, hops and other industry associations match this seed money with private fund sources to fight tariffs, dumping of products into the U.S. market by foreign competitors, quotas, and a host of other market access issues.

In fiscal year 2002, the Marketing Program awarded more than 35 grants ranging from \$6,500 to \$150,000 for market promotions and trade barriers. Although most of the grants will continue into fiscal year 2003, positive results are already being reported. Three of the marketing grant projects have been completed, resulting in nearly \$2 million in initial raspberry, hop, and wine sales. It is expected that this grant program will have a measurable impact on the economic vitality of Washington agriculture (Attachments 4, 5).

Small Farm and Heart of Washington join IM Program

Besides administering USDA Specialty Crop Funds, WSDA made two other additions to the core International Marketing Program in fiscal year 2002.

- 🌐 The ***Heart of Washington*** is a three-year, \$2.4 million statewide domestic marketing campaign funded by a USDA Specialty Crop Grant. Its mission includes (1) promoting Washington state food and agricultural products to consumers, and (2) educating consumers about the role of agriculture on our economy and in their lives. Chaired by the Director of WSDA, the Heart of Washington Board has 12 members representing agriculture, food, and retail interests. The Washington State Fruit Commission is the administrative lead agency. *(For more details, refer to the Heart of Washington Annual Report.)*

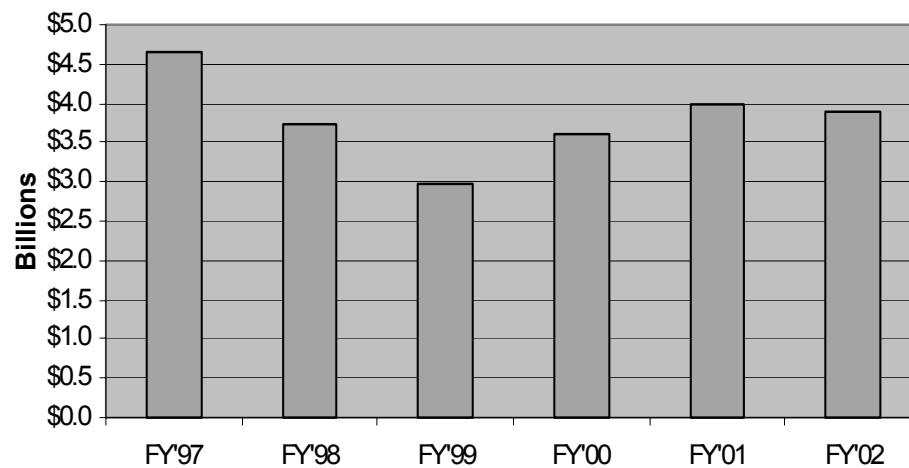
- 🌐 The ***Small Farm and Direct Marketing Program*** helps Washington state growers with infrastructure issues, regulations, and direct marketing opportunities. Legislation creating the program and a \$150,000 general fund budget were put in place effective July 1, 2001. In addition, WSDA directed \$500,000 of the USDA Specialty Crop Funds to public agencies and private organizations supporting small farms. On a competitive basis, this ***Small Farm and Direct Marketing Grant Fund*** helps small farms develop infrastructure, take advantage of marketing opportunities, and accomplish other projects that strengthen small farms. *(For more details, refer to the Small Farm and Direct Marketing Annual Report.)*

EVENTS AND TRENDS

Global changes affecting food & agriculture markets

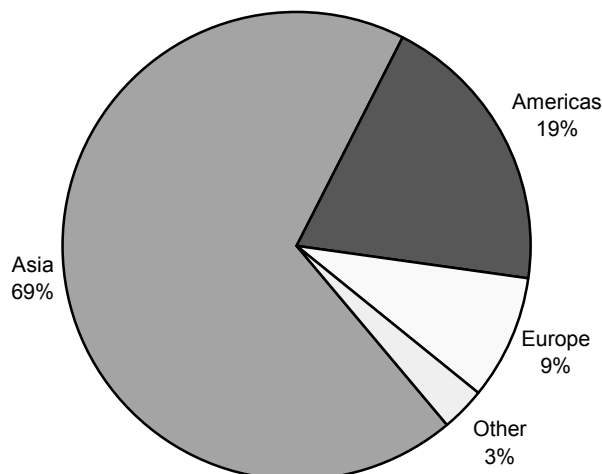
Washington State has one of the most diversified agricultural industries in the United States. In 1996-97, Washington's food and agriculture exports reached an historical high of more than \$6 billion. Unfortunately, by 1997-98, the Asian economy collapsed, reducing Washington's exports by 40 percent and Asia's market share from 80 to 65 percent. Despite partial recovery of the market, our exports have not rebounded to pre-1997 levels. In fiscal year 2002, Washington's food and agricultural exports totaled \$3.9 billion (Figure 1).

Figure 1. Washington Food and Agriculture Exports



Washington is the closest mainland state to Asia, and Asia is the largest market for Washington's food and agriculture products, followed by Canada, Mexico and Central America. Europe, despite its large population and wealth, comprises only 9 percent (Figure 2).

Figure 2. Markets by Region

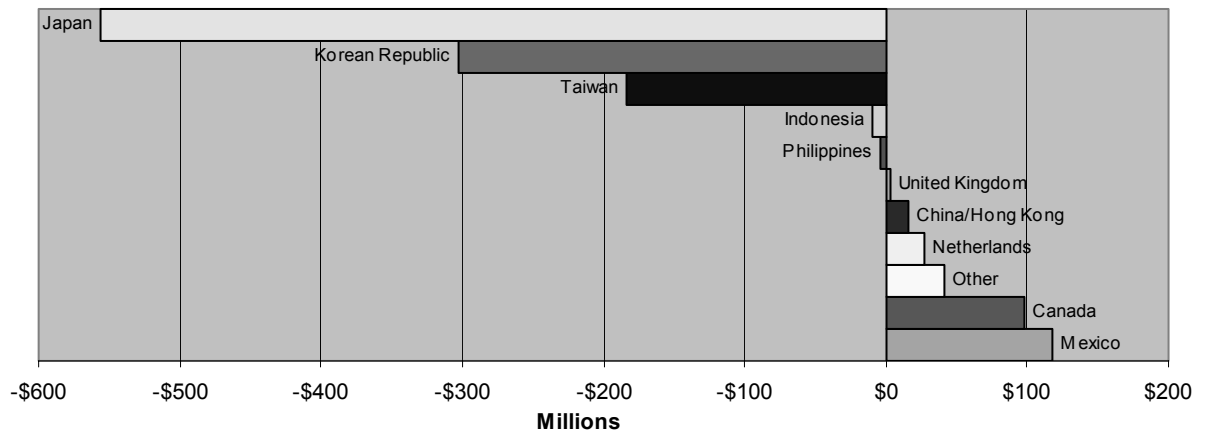


- More than 30% of crops grown in Washington are destined for foreign markets.
- Nearly 70% of all exported crops are bound for Asia, mainly Japan, Taiwan and Korea.
- Japan is the state's largest export market, followed by Canada.
- During fiscal year 1996, Washington's food and agricultural exports rose to an all-time high of \$6 billion.
- Between fiscal year 1997 and 2002, Washington exports worldwide have fallen 16%, from \$4.6 billion to \$3.9 billion.
- In that same time period, exports to Canada and Mexico rose by 23% and 230%, respectively.

Exports to Asia decline, sales to Canada and Mexico climb

In fiscal year 2002, our overall exports remained down by about 16 percent primarily due to declines of more than \$1 billion in our top three export markets in Asia – Japan, Taiwan and Korea. These declines were partially offset by increased export sales to our NAFTA partners, Canada and Mexico. Between 1997 and 2002, that same four-year period in which our state observed declines in sales to Asia, Washington exports to Canada increased by 23 percent, and sales to Mexico climbed by 230 percent, principally due to apple sales (Figure 3).

Figure 3. Export Trends in Key Markets - FY'97 to FY'02



A major factor in Washington's inability to recover market share in Asia is the strong U.S. dollar and the flagging Japanese economy. Historically, Japan has purchased more than 33 percent of Washington's total exports as compared to its current 27 percent. More than a decade has passed since the Japanese economic bubble burst in 1990, but the country remains mired in recession. Despite occasional suggestions of recovery, Japan is burdened by an ineffective government, a lack of consumer confidence, and a banking system on the verge of insolvency which restricts credit availability to businesses.

The following factors have also contributed to Washington state's overall decline in exports for fiscal year 2002:

- 🌐 **Strong dollar.** The resiliency of the U.S. dollar has made American exports more expensive.
- 🌐 **Fewer producers headquartered in state.** The continued consolidation of the U.S. food industry has reduced the number of larger food producers headquartered in Washington state and the number of domestic buyers. This, in turn, has fostered further consolidation of farming, processing and distributing companies and has lowered commodity prices.

- ④ **Declining competitiveness.** Located far from major domestic U.S. markets, local producers have high shipping costs that reduce their competitiveness with producers in other regions of the country. Historically, these costs have been partially offset by lower energy costs. However, recent increases in the cost of energy, water and environmental regulation have reduced the ability of Northwest companies to compete nationally.
- ④ **Terrorism on home front restrains business travel.** The bombings of the World Trade Center and resultant safety concerns about travel reduced international business. In the last months of 2001, many WSDA trade activities were cancelled or postponed. Those included nine buyer missions that IM had recruited for the fall and winter months, participation in overseas trade shows, and several outbound trade missions, including one led by Governor Locke.





- In FY2002, IM staff had a direct role in generating \$61 million in export sales.
- The IM Program's assisted sales in FY2002 resulted in nearly \$2.7 million in tax revenue.
- For every \$1 spent on the IM Program, the state receives \$3.07 in tax revenue.

YEAR-LONG RESULTS

Export sales hit \$136 million in FY 2002

The International Marketing Program is considered successful when Washington agriculture and food companies make sales. Our primary performance measure is the *dollar value of export sales* made by Washington companies with the assistance of International Marketing. *IM-assisted sales* are company sales that occur with the help of the International Marketing (IM) Program staff or overseas contractors. *Joint export sales* are fruit industry sales that occur with the help of overseas contractors shared by IM, the Washington Apple Commission and/or the Washington Fruit Commission.

The assisted sales figures are obtained through semi-annual surveys conducted by IM staff and contractors. They are conservative estimates for several reasons. First, it is difficult to obtain proprietary sales information from companies, so it is likely that more sales occurred than are captured in the surveys. Also, there is typically a six- to 24-month time lag between IM Program involvement and the completion of sales transactions. Over that length of time, clear connections between IM Program assistance and the ultimate sale may be lost. Finally, IM reports only new sales, not continuing sales, resulting from previous activities.

In fiscal year 2002, the IM Program and its partner commissions assisted Washington state exporters to achieve total sales of more than \$136 million. Of that amount, \$61 million were sales accomplished with the assistance of IM staff and its contractors. An additional \$75 million in sales were attributable to cooperative efforts in Taiwan and Japan between the IM Program, the Washington State Fruit Commission and the Washington Apple Commission (Figure 1 and Table 1).

Figure 1. Assisted Sales, FY1998 to FY2002

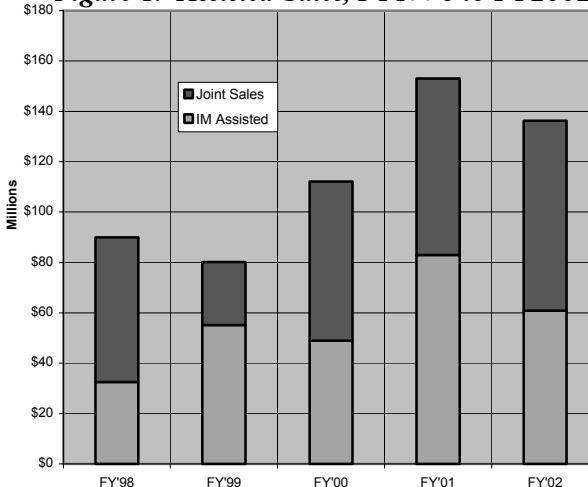


Table 1. Assisted Sales, FY1998 to FY2002

Assisted Sales (\$ millions)	FY'98	FY'99	FY'00	FY'01	FY'02	Total
IM-Assisted Sales	\$32.55	\$55.14	\$48.93	\$83.00	\$60.95	\$280.57
Joint Export Sales	\$57.40	\$25.06	\$63.25	\$70.01	\$75.34	\$291.07
Total Sales	\$89.95	\$80.20	\$112.18	\$153.01	\$136.30	\$571.64

The nearly \$17 million decrease in total assisted sales for fiscal year 2002 compared with fiscal year 2001 occurred because of the global economic slowdown and the repercussions of the events on September 11.

Benefits of export sales: tax revenues, new jobs

Individual companies, of course, realize direct financial gain from their export sales. But export sales also benefit Washington state by generating *tax revenues and jobs*.

The IM Program's activities help generate *tax revenues* in excess of what the program costs the State General Fund budget. Put another way, the program is a money-maker for the state, as well as for exporting companies.

According to the state Department of Revenue, approximately 4.4 percent of an average food export sale goes to the state general fund in the form of direct and indirect taxes. In fiscal year 2002, IM staff and contractors alone assisted \$61 million in export sales. Using the Department of Revenue formula, \$61 million in sales generated an estimated \$2.68 million in direct and indirect tax revenues to Washington, against an operating cost of \$873,315. This brought the net profit to the state of Washington to \$1.81 million (Table 2). Of course, because of the decrease in assisted sales in fiscal year 2002 compared to fiscal year 2001, tax revenues and job creation also slowed.

Table 2. State General Fund Revenue resulting from WSDA/IM Program

State General Fund Revenue (\$ mil.)	FY'98	FY'99	FY'00	FY'01	FY'02	Total
From IM-Assisted Sales	\$1.43	\$2.43	\$2.15	\$3.65	\$2.68	\$12.35
From Joint Sales	\$2.53	\$1.10	\$2.78	\$3.08	\$3.32	\$12.81
Total Revenue	\$3.96	\$3.53	\$4.94	\$6.73	\$6.00	\$25.15
WSDA/IM Program Costs (GF-S)	(\$0.86)	(\$0.86)	(\$0.87)	(\$0.87)	(\$0.87)	(\$3.46)
Net Revenue from IM Sales	\$0.58	\$1.57	\$1.28	\$2.78	\$1.81	\$8.89

By dividing the tax revenues by International Marketing's annual program cost, we can calculate the program's *return on investment* to the state of Washington (Table 3). From every state dollar invested into the IM Program, approximately \$3.07 of tax revenue results. By adding in the \$75 million in joint sales achieved in cooperation with the commodity commissions, tax revenues for fiscal year 2002 increased to \$6 million, with a net income to the state of \$3.56 million and return on investment of \$6.87 for every dollar spent on the IM Program

Job creation is another return on investment. It is estimated that for every \$1 million in exports, 18 to 22 jobs are created. These include direct jobs on farms and in food processing plants; indirect employment in transportation, distribution and packing; and multiplier employment in rural and urban communities. Assuming an average of 20 jobs per \$1 million in exports, more than 2,700 jobs were created or retained in fiscal year 2002 from the \$136 million in export sales assisted by IM and its partners. Of these, slightly less than half resulted from the direct assistance provided by IM staff (Table 3).

Table 3. Calculations show return on investment and jobs due to IM Program

Return on Investment to GF-S	FY'98	FY'99	FY'00	FY'01	FY'02	Total
Return on Investment (IM-Assisted Sales)	\$1.67	\$2.82	\$2.47	\$4.20	\$3.07	\$3.57
Return on Investment (Total Sales)	\$4.62	\$4.11	\$5.67	\$7.74	\$6.87	\$7.28
Jobs Affected	1,799	1,604	2,244	3,060	2,726	11,433

“Without question, Washington receives a significant return for its investment in WSDA’s International Marketing Program.”

— Agriculture Director Valoria Loveland

Exports assisted by key region

In fiscal year 2002, the IM Program directly assisted 174 export-ready companies in Washington state, ranging from small family businesses to large, national distributors.

Figure 3. Sales by Region in FY2002

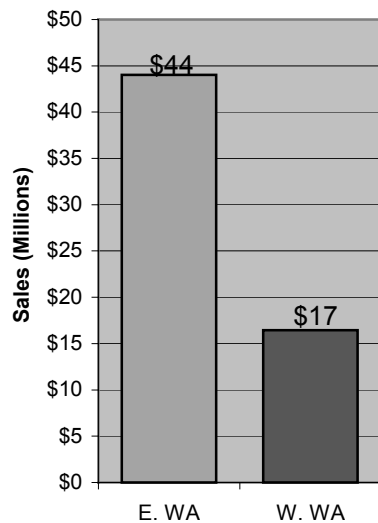
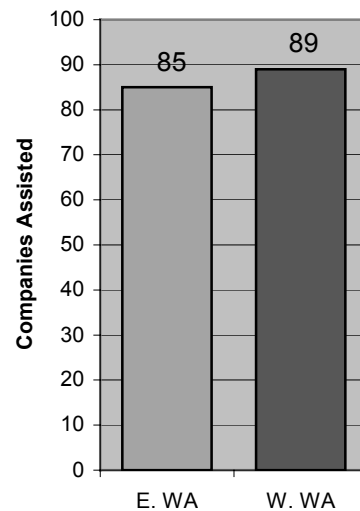


Figure 4. Companies Assisted in FY2002



These 174 companies were split almost evenly between Western and Eastern Washington, but there was a big regional disparity on the resulting sales. Nearly 73 percent of the sales were made by Eastern Washington companies, equating to \$44 million of the total \$61 million in sales. Western Washington company sales amounted to just \$17 million, or 27 percent of the total sales (Figure 3).

As a state program whose goal it is to help business, the IM program makes every effort to operate like a business. Our primary performance measure is assisted sales, and we translate those sales into tangible benefits to the state including tax revenues and jobs.



INTERNATIONAL MARKETING PROGRAM

Trade Missions, Promotions & Events

Special Photo Section

Governor, Director Loveland promote cherries, potatoes, and hops on Asia mission

Trade trip opens doors. In July 2002, Governor Gary Locke and WSDA Director Valoria Loveland led a successful trade mission to Asia. As a result, before the year is out, hop sales to Japan are expected to total up to \$1 million. And, new sales of processed foods to both Japan and Korea are anticipated to be between \$3 and \$5 million a year.



Young and old alike favor cherries. In Seoul, Gov. Locke, Director Loveland, and Sen. Paull Shin (*above, second from left*) tour Korea's supermarket chain, **Lotte** (*left and above*) to promote Washington cherries, potato products, and processed foods.



Next stops: Kobe and Tokyo, Japan. The Governor and Director Loveland pitch Washington products at Japan's **Daiei** supermarkets (*left and center*), that include frozen vegetables, cherries and Japanese beer made with Washington hops. IM Program Manager Janet Leister and WSDA's Director (*right*) pose with Akitoshi Mutoh of **Asahi Breweries, Ltd.** during a hop growers reception in Tokyo.



Unique marketing approaches aimed at emerging markets



An affordable luxury. In Asia, cherries are touted as the “diamond of fruit.” Vendors at a Shanghai marketplace (*above*) sell cherries grown in Washington.

Bowling for cherries. A July 2002 bowling tournament in Guangzhou was sponsored by *Northwest Cherries* — poster ads of cherries appeared at the end of each bowling lane.



Top of the news in China. During a state-wide tour in June 2002, Chinese media filmed stories on the state’s agriculture and food industries and visited with Gov. Locke. In China, three stations ran 2 hours of this footage viewed by 45 million Chinese.



That’s my final answer. Shanghai students appear on a Chinese TV game show in July 2002 and get quizzed on their knowledge of Pacific Northwest fruits and crops.

State’s apples, cherries grow popular in Malaysia

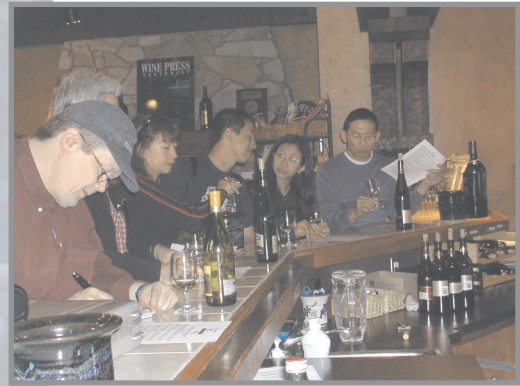
Members of the Malaysia press (*below*) enjoy Washington grown fare prepared at Kuala Lumpur’s *Top Hat Restaurant* in summer 2002. Food editors sample cherry-topped vanilla ice cream.



During a week-long promotion in Malaysia, WSDA and the state’s agriculture industry sponsored “A Taste of Washington State.” Local media and the trade were invited to sample Washington wine, potatoes, apples, lentils, seafood and cherries at the famous *Top Hat Restaurant*.

Prominent food articles appeared in four newspapers: *Star*, *New Straits Times*, *Berita Harian*, and *Utusan Malaysia*.

Washington fast becoming known for fine wines



Columbia River Wine Expo. More than two dozen buyers (*above*) from Europe and Asia gathered in May 2002 for a wine-tasting exposition in the Tri-Cities. The event, sponsored by the Wine Commission, the U.S. Department of Commerce, Tri-Cities Industrial Development Council (TRIDEC), and WSDA's IM Program, allowed global buyers to taste wines from 40 Washington wineries. Our state is fast becoming known for its quality wines. A year earlier, *Wine Enthusiast Magazine* dubbed Washington: "Wine Growing Region of the World."

New foreign seafood markets abound in '02

During fiscal year 2002, the IM Program worked with the Washington seafood industry to generate \$3.7 million in foreign sales. Buyers from China, Denmark, Spain, Portugal and several Eastern European companies attended several shows and promotions and bought everything from salmon to oysters, Dungeness crab and clams (*below*).



Wild West Seafood Saloon.

Many seafood promotions took place during the year, including the *Conxemar Seafood Show* in Vigo, Spain (*above*) in September 2001 that featured diverse seafood set against the backdrop of an Old West saloon.



Qingdao Expo, Summer 2001.

Hundreds of people congregate on opening day (*above*) of the *China Fisheries and Seafood Exposition*. The annual Qingdao event is the largest seafood fair in Asia with 50 countries and 12,000 people attending.



Restaurant Menu Promotion. Oysters and Dungeness crab are displayed at the Shanghai Hilton seafood promotion, summer 2001.

“Chipping” potatoes, nursery products promoted to Japanese buyers



Japanese potato importers visit Eastern Washington growing fields (*left*) and packing sheds (*below right*) that produce this state's high quality “chipping” potatoes.

Pale-gold chips prove tastier. Japan's top snack food executives meet with Washington growers (*below*) who tout the merits of our chipping potatoes. Chipped, they produce a pale gold snack, preferred by the Japanese.



Satisfying a preference for new plant varieties. During the April 2002 Plant Trading Network tour in Japan, Shigeki Kangori (*center*) bridges communication between Japanese and Washington state nurserymen. Managed by the IM Program and its Oregon counterpart, the Plant Trading Network has a contractor team — one in Japan, one in the Northwest — who market plants in Japan, receive inquiries from buyers, source Northwest nurseries for plants of interest, and help with export logistics. This “one-stop-shop” resulted in more than \$300,000 in sales in FY 2002. Japanese buyers favor Northwest perennials, deciduous trees and conifers.





TRADE SUCCESS STORIES OF THE PAST YEAR

Governor Locke, Director Loveland lead mission to Japan, Korea

Underscoring the importance of government and business leaders working together for free trade and greater access to international markets, Governor Gary Locke led a successful trade delegation to Japan and Korea in the summer of 2002. Agriculture Director Valoria Loveland, Director Martha Choe of Community Trade and Economic Development (CTED), and State Senator Paull Shin accompanied the governor. Representing the Washington State agriculture and food industry were the *Washington State Potato Commission*, *Washington State Fruit Commission/NW Cherries*, the *Hops Commission*, *SYSCO Food Systems*, *Washington State University* and the *Grange* newspaper. International Marketing and its overseas partners arranged for and accompanied the delegation on the mission.

Governor Locke and Director Loveland were introduced to Korean and Japanese companies that do business with Washington firms and held productive talks with high-level government officials whose policies directly impact access to their markets.

“Northwest cherries have been established in the Japanese market for many years, but tying into the Governor’s trade delegation helped us have a much greater impact with the Japanese trade and government officials. I give the WSDA International Marketing Program a large amount of credit for this opportunity.”

— B.J. Thurlby, President, Washington State Fruit Commission

In Korea, the governor and Director Loveland met with the Minister of Agriculture and Forestry and other government officials to discuss trade issues. They also visited retail supermarkets and fast food chains to promote frozen French fries and cherries. Connections were made with Korean officials regarding lowering tariff rates on produce and on broadening the varieties of Northwest cherries approved to enter the market.

They also concentrated on what has emerged as a very promising market for “chipping potatoes” (potatoes grown specifically for use in manufacturing chips and other snack foods). Korea experiences annual shortfalls of domestic potatoes used in snack food manufacturing. Korea allows the importation of fresh potatoes, but limits imports to certain times of the year, imposes a tariff rate quota, and raises issues related to soil residues.

- More than 95 percent of exports are shipped to four major regions:
 - Asia
 - Canada
 - Mexico
 - South America
- Asia is the largest purchaser of Washington’s food/agriculture products.
- Japan, South Korea and Taiwan are our top Asian markets. They purchase over half of our food and agriculture exports.
- Our state is the nation’s top producer of sweet cherries.
- Cherry sales to Japan and Korea in 2002 totaled just under \$25 million delivered. Taiwan sales came in at \$45 million.

The Washington State Potato Commission is following up on this potential opportunity. Before planting begins in 2003, the Commission is looking to bring Korean chip manufacturers to our state in order to strengthen these new relationships and initiate contract sales.

In Japan, Governor Locke and Director Loveland toured a major supermarket chain promoting Washington cherries. They encouraged beer processors to buy our hops, and snack food manufacturers to purchase our dehydrated potatoes. Director Loveland and industry representatives held talks with officials from four major snack producers to determine how best to work together to convince the Japanese government to open its market to chipping potato imports.

The Governor's mission has resulted to date in projected sales of \$600,000 to \$1 million for hops, and \$3 to \$5 million a year in ongoing sales for the food service industry. Equally important for the long-term, the Governor's mission opened doors that many in the industry believe would have otherwise remained closed.



- The U.S. is second only to Germany in the amount of hops produced.
- Washington produces more than 70% of all U.S. hops.

Buyers from Asia, Europe attend Columbia River Wine Expo

Washington State's wine industry is growing fast and accumulating honors. Wine Enthusiast Magazine named Washington State "Wine Growing Region of the World" for 2001. Our industry is working aggressively to advance knowledge of the high quality and diversity of Washington wine to domestic and international consumers and the trade.

To help showcase the industry to foreign buyers and educate our wineries about export markets, International Marketing joined with the Tri-Cities Economic Development Council, the U.S. Department of Commerce, and the Washington Wine Commission to present the Columbia River Wine Expo in May 2002. As a result of this collaboration, 28 buyers from Malaysia, Hong Kong, Singapore, Korea, Japan, Germany, and the Netherlands attended the Show, toured wineries, tasted wines from 40 Washington wineries, and learned about our world-class industry. The organizers were granted \$25,000 from WSDA's Market Promotion Grant Fund to help bring in buyers from these potential markets, complementing the efforts of the Wine Commission in larger markets that currently buy our product.



To date, the Expo has projected \$903,000 in sales directly attributable to the event. Based on excellent reviews from buyers and wineries, planning has begun for the second annual Expo in May 2003.



- Washington produces one-fifth of the United States' total potato crop. About 30% of the state's crop is exported annually.
- The state's potato growers produce four types: russets, reds, whites and yellows.
- 13% of all potatoes are sold fresh; the rest — 87% — are processed and frozen for use as potato chips, French fries, and other products.
- Cherry sales to Southeast Asia in summer 2002 totaled \$1.3 million.
- In the past three years, IM staff has arranged 15 inbound buying groups from SE Asia.
- In 2002, the IM Program hired its first-ever trade representative for SE Asia.

Chipping potato exports to Japan

Chip processors becoming aware of NW potato varieties

The Northwest United States is one of the world's premier areas for producing high quality, diverse types of fresh potatoes including distinct varieties specifically to be processed into potato chips. Japan also grows domestic potatoes that are used by their snack food manufacturers; however, in the past several years they have experienced crop shortfalls and quality issues. Unfortunately for those manufacturers and their huge consumer base, Japan trade policy protects its domestic industry by prohibiting importation of fresh potatoes from anywhere outside the country. This means that there have been years when the manufacturers have simply run out of raw potatoes to process into snacks – a costly and embarrassing situation.

International Marketing and the three Northwest potato commissions brought scientific experts and industry representatives to Japan last spring to present a technical seminar and a Japanese-language guide on Northwest chipping potatoes. The goal of the trip was to acquaint the Japanese trade with the characteristics of Northwest chipping potatoes and the growing, handling, and shipping techniques that would enable us to supply high-quality products when Japanese domestic production is insufficient to meet demand. The experts, together with potato spokespersons from Washington, Idaho, and Oregon, offered insights to major Japanese chip processors — Koikeya, Calbee, Tohatsu, and Tomen — about Northwest potatoes. Funding came from the USDA Federal State Marketing Improvement Program (FSMIP) and was matched by the National Potato Promotion Board and the three state potato commissions. It is noteworthy that the three states and commissions, often competitors, worked jointly on the FSMIP proposal and on opening the Japanese market.

Response to the seminar and technical guide was very positive from the 50 leading Japanese snack food company attendees. An agriculture attaché in the United States Embassy in Tokyo commented that the seminar, guide, and private meetings had sent a strong message to the trade and government that Northwest producers remain committed to selling their high quality potato crop in Japan. In fact, shortly after the trip, the IM Program received a request from one of the Japanese snack food companies to ship a sample of chipping potatoes to their Taiwan processing plant for testing. Growers from the three states hope to send distinct varieties from different Northwest regions for this test, and then to pursue a similar group effort targeting the Korean market. Fortunately, Governor Locke and Director Loveland were able to reinforce the case for Washington chipping potatoes during the trade mission to Japan and Korea in summer 2002.

International Marketing hires S.E. Asia, China trade reps

Joining longstanding Washington State agricultural trade representatives in Japan and Taiwan, International Marketing recently hired contractors for the Chinese and Southeast Asian markets.

China: Washington gains presence in four regional markets

In 1996, WSDA and the Office of Trade and Economic Development (OTED) placed a representative in China to handle agricultural and non-agricultural trade. Ours was the first state to have a representative in China. However, three years later, state budget cuts required International Marketing to withdraw its support.

Fortunately, through USDA's Specialty Crop Funds, we are now able to contract once again for representation.

As of July 2002, **Philander Fan** of Hong Kong is our primary contractor for China. He employs subcontractors in Shanghai, Guangzhou, and Beijing. This gives Washington agriculture a presence in four critical markets for the next two years. Philander Fan also represents the *apple and fruit* industries, so our contractors will focus on those commodities, but also on *seafood, grass seed for environmental protection, wine, food service and food ingredients*.

China's accession to the World Trade Organization, required tariff reductions, and lowering of other trade barriers should make this market far more accessible and transparent than it has been in the past. Even so, our International Marketing Advisory Committee advises us that China will still be a very difficult environment for exporters, and therefore is an excellent market in which to have state representation.

Southeast Asia: Making inroads to Malaysia, Singapore



International Marketing has been involved in arranging itineraries for 15 inbound buying groups from Southeast Asia in the past three years. With the concurrence of our 13-member Advisory Committee, we have hired official representation in Southeast Asia so that we may initiate buying activities instead of just reacting to market events.

Chen Hui Cheng is the first-ever representative for Washington state agriculture in Southeast Asia.

Ms. Chen's primary target markets will be Malaysia and Singapore, but she plans to work as needed in Thailand, Vietnam and Brunei. She has worked as the Washington Apple Commission representative since 1995, and is now also assisting the Washington State Fruit Commission and NW Cherries. Because of these connections, she expects to be planning and executing "cross-selling" promotions where one commodity or food item is sold along with complementary items.





- S. Korea is the U.S. industry's 3rd largest French fry market after Japan and Mexico.
- Dehydrated potato exports to S. Korea were worth \$5.4 million to the US industry in 2001.
- Manila clams from Washington state were a new product to the European market in 2002.
- Exports to Europe of organic apples and pears from Washington and Oregon were valued at \$10 million in 2002.
- 4.2% of Washington state apples are in organic production.

As an example, Ms. Chen kicked off her new representation with in-store cherry promotions at many supermarket chains in Singapore and Malaysia, a media "blitz," and a two-week-long promotion at the well-known *Top Hat Restaurant* in Kuala Lumpur. The Top Hat Restaurant promotion showcased *Lapin and Rainier cherries, potatoes, lentils, and apples*, accompanied by *salmon, black cod and halibut*, as well as some of the state's finest *wines*. More than 100 importers/wholesalers, retailers, and media editors attended the *Top Hat* promotion, along with International Marketing's Program Manager. Sales resulting from that promotion totaled \$1.5 million, the majority of it in cherry sales.

Ms. Chen will visit Washington in Fall 2002 to take a familiarization tour that will give her firsthand knowledge of the breadth and diversity of this state's products. In October, Ms. Chen will bring a group of nine top importers from Singapore and Malaysia to visit *apple, pear, asparagus, stone fruit (peaches, nectarines, apricots), potato and onion packing sheds*. The goal is to make it possible for Washington exporters to ship directly to these buyers instead of going through a trading house. *Wine, seafood, produce, dehydrated potatoes, frozen vegetables, juice concentrates and pulses (peas, lentils)* will be the initial focus of Ms. Chen's introductions to Southeast Asian buyers.

South Korea introduces labeling rules for genetically altered potatoes

Earlier this year, South Korea announced its intention to introduce regulations requiring "genetically modified" (GM) labeling on fresh and processed potato imports containing 3 percent or more in genetically modified product. ("Genetically modified" refers to products – plants, animals or microorganisms – into which desired traits are introduced through the use of scientific techniques).

During his July 2002 trade mission, Governor Locke urged the Korean Minister of Agriculture and Forestry and the Korean Minister of Trade to exempt U.S. exports of fresh and processed potatoes from the genetically modified labeling requirement. The governor made it clear to the trade minister that bio-engineered potatoes are no longer commercially grown or sold in the U.S. He urged that, if an exemption were not possible, South Korea accept an "identity preservation system" involving self-certification. What this means is that an exporter documents the product from the time it is in the field to the end of the process, and certifies that the products are in compliance with all relevant regulations.

In September 2002, the U.S. and South Korea reached an agreement, allowing for a self-certification identity-preservation system. The acceptance of the self-certification system is an important decision because South Korea is the U.S. industry's third largest foreign French fry market with exports reaching \$24 million last year. Exports of dehydrated potato products to South Korea are also growing, with sales of \$5.4 million last year.

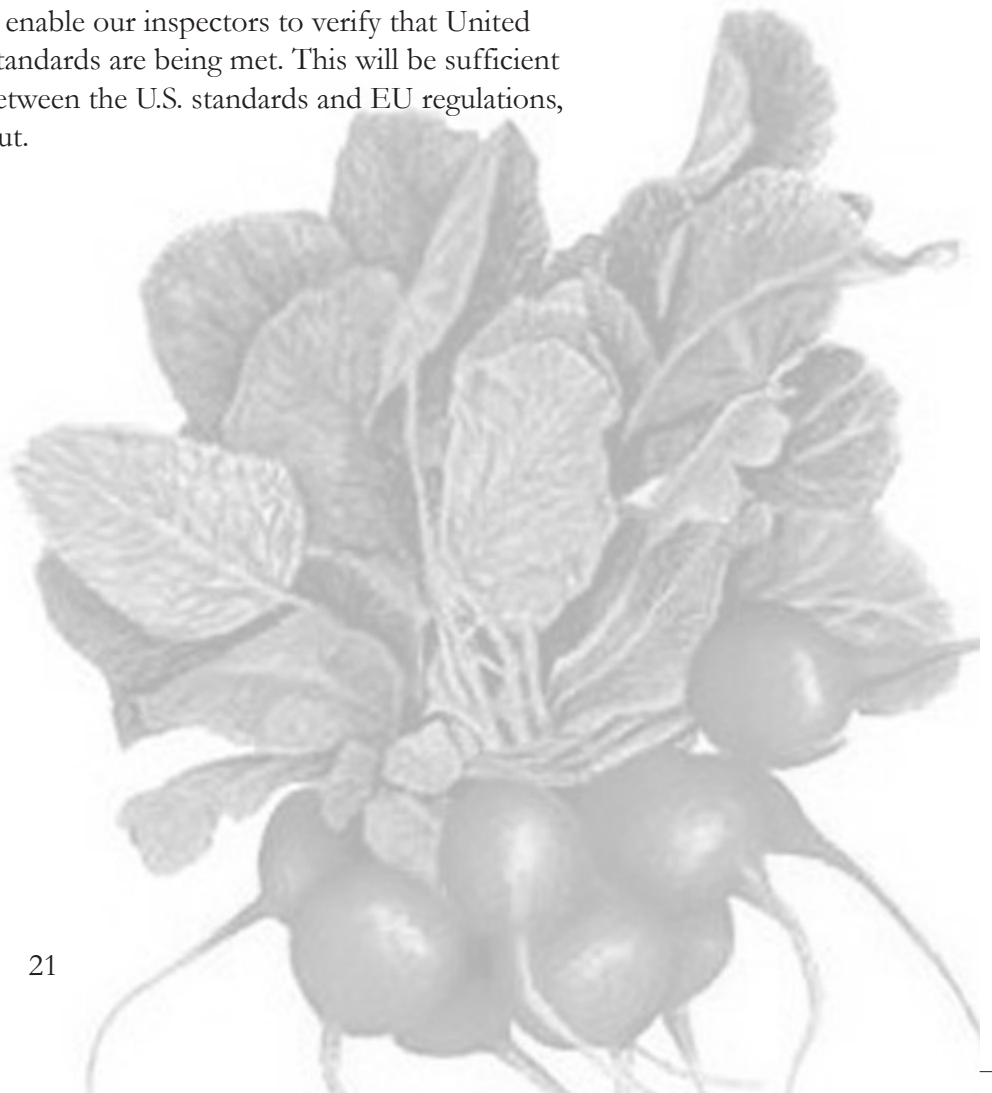
\$3.7 million achieved in seafood sales

New market opportunities for seafood exports to China and Europe brought \$3.7 million in total assisted sales for fiscal year 2002. These sales were accumulated over five key activities that include buyers from China, Denmark, Spain, Portugal, and eastern European companies. International Marketing used \$45,000 in USDA funds to support these activities. Although several Washington companies canceled travel this year due to repercussions from the September 11, 2001 World Trade Center tragedy, those companies that attended the shows and those that received in-bound buyer groups were able to secure sales.

UK organic imports inspection/regulation

The United Kingdom Register of Organic Food Standards (UKROFS) voiced major concerns that new USDA national organic standards would “lower the bar” on inspections currently used by WSDA’s Organic Program. International Marketing joined forces with apple exporters, the Washington Apple Commission and WSDA Organics to assure UKROFS that our inspections will continue to exceed the national standards. UKROFS then requested additional inspection components and documentation to address several sticking points related to other European Union regulations.

To accomplish this, the Apple Commission and Pear Bureau have provided WSDA Organics with matching funds that will enable our inspectors to verify that United Kingdom and European Union (EU) standards are being met. This will be sufficient while we wait for mutual recognition between the U.S. standards and EU regulations, which could be as long as three years out.



HIGHLIGHTS OF THE PAST YEAR

2001-2002 In Brief

Reflecting the broad diversity of markets for Washington state's agriculture and food products, the International Marketing Program supported our industry in many parts of the globe in fiscal year 2002.

Commodity Shipments to Cuba: United States Senator Maria Cantwell has encouraged agricultural trade between Washington State and Cuba. After a 40-year hiatus in food exports to Cuba, the first load of peas and lentils were shipped in June 2002 and the first load of apples in July. At the request of Senator Cantwell's office, International Marketing co-sponsored and arranged a special lunch bringing together the head of the Cuban Delegation with 30 key agricultural leaders representing *fruit, potatoes, general produce, peas, lentils, food service, and retail*. This gathering made the head of the Delegation aware of the wide range of food products that Washington State has to offer, and the fact that Washington state is not only a large exporter of tree fruit, but of potatoes as well.



Apples to India: Through the U.S. Department of Commerce/Spokane, International Marketing received word that two buyers from India were interested in Washington state *apples*. These importers wanted to open up the Indian market by buying direct from suppliers rather than going through Dubai brokers as in the past. International Marketing staff introduced them to several exporters, resulting in the largest volume of apple shipments made to that country since prohibitive tariff rates and other trade barriers were lowered four years ago.

Apricots to Mexico: After two years of work by the *NW Horticulture Council*, *APHIS-Mexico*, and International Marketing, Mexican officials announced acceptance of a protocol for shipping *apricots* from the U.S. to Mexico. Approval came too late for apricot shippers to take advantage of it this year; however, it is anticipated that the protocol will enable up to \$500,000 in apricots to be shipped to Mexico during the 2003 season.



Taiwan In-Store Promotion Leads to Food Ingredients Mission: For the past two years, International Marketing has worked with the Washington State Fruit Commission on in-store promotions designed to "*cross-sell*" *cherries with processed foods*. The Commission's cherry promotion itself has been very



innovative and well received by the Taiwan trade and consumers. It has resulted in record sales and a boost for Taiwan to #1 in cherry imports. National TV news, lifestyle shows, and the print media have offered enthusiastic coverage of the delicacy that Washington cherries have become. However, on the processed food side, the Taiwanese retailers have shown more interest in national brands than in Washington state's own products.



This reaction led International Marketing to shift strategies for the future and to concentrate on importers/wholesalers of *food ingredients and food service* in Taiwan. We invited major food ingredient importers from Taiwan to visit Washington for an introduction to potential suppliers. As a result, sales were made on the spot for *pulses (peas, lentils)*.

Food Hotel Asia 2002: The fact that Southeast Asian economies are beginning to rebound from the late 1990's crisis is reflected in the \$3.6 million in sales projected by five Washington companies that participated in Food Hotel Asia 2002 in Singapore. Alternating annually between Hong Kong and Singapore, Food Hotel Asia is the largest show of its kind in that region, drawing 33,000 visitors from 93 countries. With USDA funding, International Marketing arranged for the five companies' participation in the show and for business meetings in the Philippines and Malaysia.

Plant Trading Network Works Nationally:

The success of the U.S. - Japan Plant Trading Network created and managed by International Marketing has grabbed the interest of the Northeast, Southern and Midwest regions.

Our consultants in the Northwest and Japan will work with a nursery expert in Maryland to source *ornamental landscape plants* desired by Japanese buyers that cannot be found in Washington, Oregon, or other western states. This enables the Northwest originators of the Network to control the flow of potential sales, satisfy the Japanese buyers in their search for plants, and benefit nurserymen in these other U.S. regions.



Natural and Organic Products for Europe: International Marketing took a leadership role in three projects benefiting the Washington *organic and natural foods* industries: the Natural and Organic Products Show in London, BioFach in Germany, and an inbound European group tied to the second annual Organic Trade Association convention in Texas. In all three cases, International Marketing recruited exhibitors, worked out travel logistics, and made matches between buyers and suppliers. Approximate sales of \$300,000 currently are projected for participating Washington companies.



IFIA Japan and Berries Seminar:

Capitalizing on the intense and growing interest by Japanese consumers in health foods and supplements, International Marketing organized two trade events in Tokyo. First, we arranged for a technical seminar and written manual introducing the availability, uses and health benefits of berries and fruit from the Northwest United States. Scott Hitchman, our agricultural trade representative in Japan, organized and delivered the seminar to 30 companies, which resulted in strong interest in *berries as ingredients*. Later, participation in Japan's primary *baking and ingredients* show – the International Food Ingredients and Additives (IFIA) Show in Tokyo in May 2002 – resulted in more than \$700,000 in anticipated sales for three Washington state companies. At a special seminar featuring these companies, a licensed nutritional consultant presented the phyto-chemical health benefits to 30 Japanese importers and food company buyers, managers, and R & D staff. As a follow-up to this event, nutraceutical buyers from Japan visited Washington in late summer 2002, and initially placed orders for \$225,000 in products.

Onions to Japan: For several years, Scott Hitchman, WSDA's trade representative in Japan, has been instrumental in connecting *onion* buyers with Washington State suppliers. In 2001-2002, he continued this pattern by introducing several buyers new to the onion business. This resulted in sales of \$6 million by five Washington onion packers.



Wines to Japan: Hoping to capitalize on the increasing interest in *wines* as well as the “booms” of Starbucks and the Mariners in Japan, International Marketing strengthened its ongoing work with the *Washington Wine Commission* and *NW Wine Coalition*. With the Coalition's financial support, Scott Hitchman spent four days briefing the NW industry on how to secure opportunities in the market. He helped the industry organize a reception for the Japanese wine trade at the U.S. Ambassador's residence during VINEXPO, and made contacts with leading wine importers to introduce Washington wines. Scott Hitchman has been involved in all the sales or promotions by Washington wines into Japan for 2001, totaling \$1.1 million.



Economic Development Projects: The sales and job creation that results from exporting products abroad are a significant part of economic development in both rural and urban areas of our state. In addition, International Marketing staff often assists in business siting, market research, and expansion aspects of economic development. Examples are:

High value juice plant: A large fruit trading company proposed studying the feasibility of creating a high-value juice processing plant in economically strapped Okanogan County. The plant would produce alcoholic and non-alcoholic

European-style ciders and juices from apples and other fruits. This would create jobs in an area of high unemployment and provide a new market for fruit growers who have been plagued with international competition, overproduction, and decreasing markets. International Marketing's role was to find potential sources of public funds for this project. As a result of IM's work, CTED contributed \$75,000 from its *Rural Opportunity and Old Growth Diversification Program*, and WSDA added \$10,000 from Specialty Crop Funds. The feasibility study is underway, managed by the IRIS Program at Wenatchee Valley College.



Biomass agricultural materials: Battelle and Pacific Northwest National Laboratory are hoping to create a collaborative institute that will develop technologies to convert low value agricultural materials, such as biomass and wastes, to products with higher value, namely plastics, adhesives, fibers, liquid fuels and power. The long-term benefits could include economic opportunities for rural areas, new markets for crops, higher economic returns to farms, and reduced environmental impacts through decreased dependence on foreign oil and gas. International Marketing introduced the project to the Department of Agriculture's director as a way to begin building cabinet agency support for the project.

"Marketing Tool Kit" for Shellfish Industry: With the assistance of International Marketing, the Pacific Coast Shellfish Growers Association received \$44,000 from USDA to create a "Marketing Tool Kit". With these funds and its own matching contribution, the Association will implement a strategic plan for increasing the sales of *shellfish*. The tool kit will include retail training, packaging, labeling and display components to help sellers and growers alike. This is the fifth year out of six that the IM Program has successfully applied for funding through USDA's *Federal State Marketing Improvement Program*.



APPENDICES

Annual Report Attachments 1 ~ 6

Attachment 1 ~ Staff and Overseas Trade Representatives

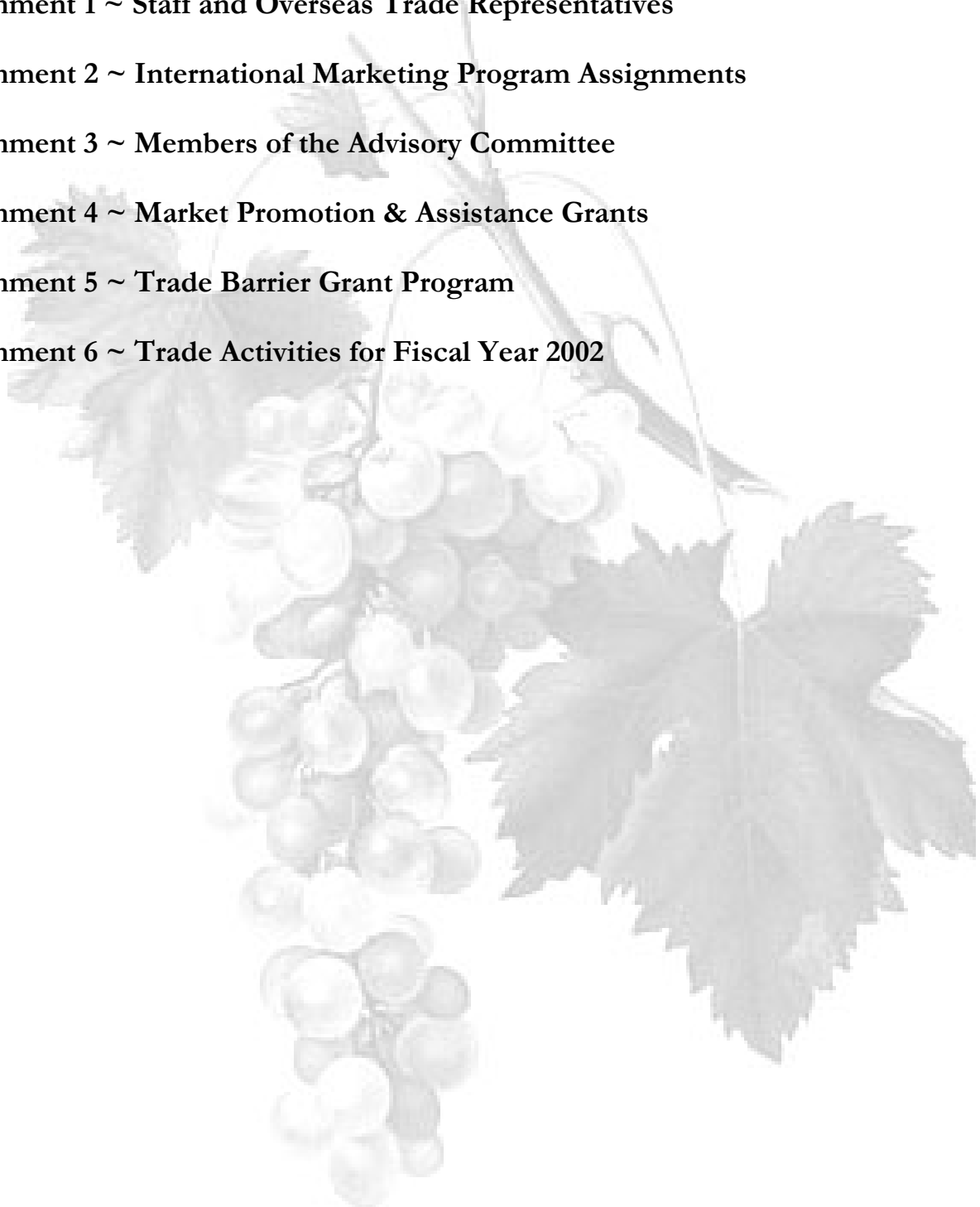
Attachment 2 ~ International Marketing Program Assignments

Attachment 3 ~ Members of the Advisory Committee

Attachment 4 ~ Market Promotion & Assistance Grants

Attachment 5 ~ Trade Barrier Grant Program

Attachment 6 ~ Trade Activities for Fiscal Year 2002



ATTACHMENT 1

Staff and Overseas Trade Representatives

ADMINISTRATION

Janet Leister

Managing Director

360-902-1931

Email: jleister@agr.wa.gov**Leisa Schumaker**

Program Assistant

360-902-1926

Email: lschumaker@agr.wa.gov**Greg Wright**

Contracts Specialist

360-902-1918

Email: gwright@agr.wa.gov

INTERNATIONAL TRADE SPECIALISTS

Meg VanSchoorl

360-902-2164

Email: mvanschoorl@agr.wa.gov**Eric Hurlburt**

360-902-1933

Email: ehurlburt@agr.wa.gov**Bill Dallas**

360-902-1925

Email: bdallas@agr.wa.gov**Jon Sonen (Yakima)**

509-457-7137/fax: 509-453-4880

Email: jsonen@agr.wa.gov

OVERSEAS CONTRACTORS

*JAPAN***Mr. Scott Hitchman**

Director, Agricultural Trade

9-1-7-581 Akasaka

Minato-ku, Tokyo 107, Japan

Tel: 81-3-5770-7533**Fax:** 81-3-5770-7534**Email:** sch@gol.com*TAIWAN***Mr. Gau-Shieng (Chris) Lin**

Director, Agricultural Trade

P.O. Box 7-17, Hsi-Chih City

Taipei County, Taiwan

Tel: 886-2-2691-2360**Fax:** 886-2-2691-2357**Email:** charityc@tpts5.seed.net.tw*MALAYSIA/SE ASIA***Ms. Chen Hui Cheng**N 8C/3rd Floor Jalan Angsoka

Off Jalan Nagasari

50200 Kuala Lumpur, Malaysia

Tel: 60-3-2142 5348/2145-5493**Fax:** 60-3-2148-0531**Email:** dlgcom1@pd.jaring.my

CHINA

Mr. Philander Fan

Room 2102 Kingsfield Centre
18-20 Shell Street, North Point
Hong Kong, 852, China

Tel: 85-2-2815-6773

Fax: 85-2-2544-7858

Email: philfan@netvigator.com

Mr. Hai-dong Li

15/F, Aile Building
No. 631 Ling Ling Road
Shanghai, 200030, China

Tel/Fax: 86-21-6486-9665

Email: lhaidong@163.net

Mr. Richard Hu

25B, No. 1 Building
Yujing Garden
Nan Xin Yuan Xi Road
ChaoYang District
Beijing, 100021, China

Tel: 86-10-8736-1034

Fax: 86-10-8736-1047

Cell: 86-1390-1124-087

Email: hu@byte-way.com

Mr. Victor Wang

Room 304, Block 1
Fortuna Garden
23 Shuiyin Street, Shuiyin Road
Guangzhou, 50075, China

Tel: 86-20-8760-1455

Fax: 86-20- 8761-1395

Cell: 86-1380-295-2349

Email: victorwongsh@163.net

DOMESTIC MARKETING

Small Farm & Direct Marketing Program

Leslie Zenz

Program Manager

Tel: 360-902-1884

Fax: 360-902-2089

Email: lzenz@agr.wa.gov

Kelli Sanger

Program Coordinator

Tel: 360-902-2057

Fax: 360-902-2089

Email: ksanger@agr.wa.gov

Heart of Washington Program

Shannon Hitchcock

Program Director

Tel: 509-453-4837/1-866-376-6469

Fax: 509-453-4880

Email: Shannon@heartofwashington.com

ATTACHMENT 2

Staff Assignments and Responsibilities

	Jon Sonen	Bill Dallas	Eric Hurlburt	Janet Leister	Meg Van Schoorl	Agricultural Trade Rep's
Product Sectors						
Food Ingredients						
Beverages						
Dairy (incl. Processed)						
Horticulture/Tree Fruit - Fresh/Processed						
Livestock, Beef, Poultry						
Nursery						
Consumer Ready & Food Service						
Seafood						
Organic						
Vegetable/Field Crops - Fresh/Processed						
Markets						
China						
Europe						
Japan						
Korea						
Latin America						
Mexico						
Russia						
SE Asia						
Other Emerging Markets						
Taiwan						
Activities						
ATO visits						
Cochran Fellowship Missions						
MAP Branded Program						
MAP Export Readiness Program						
MAP Generic Program						
Trade Shows/Seminars						
USDA Fed'l/State Mkt Improvement Program						
USDA Funding&Grant Programs						
USDA/Emerging Market Program						
USDA/GSM/SCGP Financing Programs						
WSDA Overseas Contract Management						

ATTACHMENT 3

Advisory Committee Members

Member's Name	Title	Company/Association
Ron Anderson	<i>Chairman</i>	Anderson Hay & Grain
Pat Boss	<i>Executive Director and Director of Government Relations</i>	Washington State Potato Commission
Gary Briggs	<i>CEO/Owner</i>	Briggs Nursery
Dave Jarzynka	<i>President/CFO</i>	
Bill Bryant	<i>Chairman</i>	Bryant Christie, Inc.
Steve Burns	<i>Executive Director</i>	Washington Wine Commission
Jody Easterday	<i>President</i>	Easterday Farms
Scott Hannah	<i>CEO</i>	Pacific Valley Foods
Michael McGinley	<i>Export Sales</i>	Ocean Beauty Seafoods
Eric Melton	<i>Vice President, Int'l Marketing</i>	Washington State Fruit Commission
Reggie Moyer	<i>Export Manager</i>	Western Blending
Mark Powers	<i>Vice President</i>	NW Horticultural Council
Dalton Thomas	<i>President/Owner</i>	Oneonta Trading Company
Charles Witzleben	<i>President</i>	Supervalu International

ATTACHMENT 4

Market Promotion & Assistance Grants ~ Distribution

\$25,000	Washington State Nursery & Landscape Association What: <i>Japanese Market Development Project</i> Purpose: To enhance/improve access to Japanese markets seen as growth areas for Washington's nursery/landscape industry.
\$27,480	Washington State Nursery & Landscape Association What: <i>Green Industry Marketing Campaign</i> Purpose: Multi-faceted, two-year campaign to educate public and to increase sales of Washington grown plant products.
\$25,000	Washington Apple Commission What: <i>USDA Foreign Food Aid Program manager</i> Purpose: Placement of full time staff with U.S. Apple Association (USApple) in McLean, VA. Staff will work as catalyst, ensuring Washington state apples are placed in future federal food aid programs, with focus on Russia and Sub Sahara Africa.
\$20,000	Washington Apple Commission What: <i>Joint Washington Apple, USA Pear Promotion, Indonesia</i> Purpose: Will promote respective products together in Indonesia.
\$12,000	Washington Apple Commission What: <i>Pink Lady USA</i> Purpose: Introducing Pink Lady Apples to Canadian consumers.
\$22,500	Washington Red Raspberry Commission What: <i>Expansion of Asian market for Red Raspberries</i> Purpose: Will extend and expand prior efforts in the Japanese market
\$30,000	Puget Sound Gillnet Salmon Commission What: <i>Wild Salmon Market Promotion</i> Purpose: Development of a brand identity for Washington Wild Salmon.
\$24,000	Washington Pea & Lentil Commission What: <i>Reverse Trade Mission to promote Peas/Lentils in Food Aid</i> Purpose: Will bring representatives of the major food aid organizations to Washington and promote the inclusion of peas and lentils in their food aid programs.

\$50,000	<p>Washington Pea & Lentil Commission</p> <p>What: <i>Promotion of Peas and Lentils as Food Aid Component</i></p> <p>Purpose: Education of private voluntary organizations involved in food aid project.</p>
\$47,350	<p>Pacific Coast Shellfish Growers Association</p> <p>What: <i>Expanding Marketing Prospects for Washington Grown Shellfish</i></p> <p>Purpose: Promotions campaign that includes the development of informational (point of sale) materials and public events designed to heighten public awareness of shellfish.</p>
\$65,000	<p>Washington Wine Commission</p> <p>What: <i>Taste of Washington Program Expansion</i></p> <p>Purpose: Expansion of the Taste Washington wine promotion throughout the Puget Sound region.</p>
\$25,000	<p>Tri-City Industrial Dev. Council</p> <p>What: <i>Columbia River Wine Expo</i></p> <p>Purpose: An exhibition designed to showcase Washington State wines to qualified buyers from selected Asian and European countries.</p>
\$150,000	<p>Washington State Fruit Commission</p> <p>What: <i>Multi-Commodity Promotion</i></p> <p>Purpose: Consumer-oriented marketing program that concentrates on cherries and other Washington agricultural exports in China and Southeast Asia (Malaysia, Brunei, Singapore, Thailand and Vietnam).</p>
\$40,000	<p>Quinault Nation</p> <p>What: <i>Quinault Nation Seafood Promotion</i></p> <p>Purpose: Consumer-oriented marketing program for Quinault Pride Seafood.</p>
\$6,500	<p>Hop Growers of America (HGA)</p> <p>What: <i>Japan Trade Mission/ Governor's Reception</i></p> <p>Purpose: On July 26, 2002, HGA hosted a reception in Tokyo, Japan with Japanese brewery representatives and Governor Gary Locke.</p>

ATTACHMENT 5

Trade Barrier Grant Program ~ Distribution

\$25,000

Washington State Potato Commission

What: *International Market Access Efforts*

Purpose: To provide assistance along with the National Potato Council in continued efforts to open potential lucrative markets in Japan, China, Mexico.

\$15,000

Washington State Potato Commission

What: *Elimination of Anti-dumping Duties for Potato Exports into Canada*

Purpose: Develop through WSU updated and accurate data that will be used as a basis for a review by Canadian Government.

\$10,000

Washington State Potato Commission

What: *Analysis of Canadian Bulk Easement/Ministerial Exemption Laws*

Purpose: To have a Canadian International Trade and Customs firm conduct a full legal analysis of the issue.

\$25,000

Washington Apple Commission

What: *Chinese Concentrate Anti-dumping Administrative Review*

Purpose: Defend the Commerce Department's dumping ruling against Chinese apple juice concentrate imports by maintaining the existing antidumping duties and ensuring their enforcement.

\$17,500

Washington Wine Commission

What: *Trade Barriers and Export Database*

Purpose: Develop a trade barrier and export database that will educate Washington vintners regarding the numerous international barriers, rules.

\$40,000	<p>Washington Hops Commission</p> <p>What: <i>International Chemical Harmonization for Hops</i></p> <p>Purpose: Increase the harmonization of chemical residue standard between the US and the European Union and between the US and the international system (Codex).</p>
\$50,000	<p>Washington Asparagus Commission</p> <p>What: <i>Washington Asparagus International Competitiveness</i></p> <p>Purpose: Provide research for labor saving technology that will allow the industry to remain competitive.</p>
\$20,000	<p>Washington State Fruit Commission</p> <p>What: <i>Harmonizing Fumigation Requirements for Sweet Cherries Exported to Australia</i></p> <p>Purpose: To gain agreement from Biosecurity Australia that Washington State can use the same fumigation protocol for sweet cherry exports to Australia as are currently used for sweet cherries to Japan.</p>
\$20,000	<p>Washington State Fruit Commission</p> <p>What: <i>Withdrawing Duty-Free Access for Canned Pears from S. Africa</i></p> <p>Purpose: Washington canned pear industry, in cooperation with the canned pear industry of Oregon and California, is planning to withdraw U.S. duty-free access for canned pears from South Africa</p>
\$35,000	<p>Northwest Horticultural Council</p> <p>What: <i>Database of Insect and Disease Pests on Deciduous Tree Fruit</i></p> <p>Purpose: Development of a pest incidence database for deciduous tree fruit grown in Washington.</p>
\$26,750	<p>Washington Apple Commission</p> <p>What: <i>Wash. Apple On-Line Phytosanitary Database/Document Library</i></p> <p>Purpose: Development of on-line phytosanitary database/document library for providing accurate information quickly to U.S. negotiators globally.</p>

\$15,000	<p>Washington Mint Commission</p> <p>What: <i>China Trade Imbalance Study</i></p> <p>Purpose: Study/analyze the trade imbalance of mint oil trade with China.</p>
\$30,000	<p>Washington State Agriculture Suppliers Database</p> <p>What: <i>Update of database of Washington food and agriculture companies</i></p> <p>Purpose: Upgrade and expand the Suppliers' Database so that it can be available to potential buyers not only in print, but via the Internet.</p>
\$50,000	<p>Washington Red Raspberry Commission</p> <p>What: <i>Antidumping and Countervailing Duty Investigation of Individually Quick Frozen (IQF) Red Raspberries from Chile</i></p> <p>Purpose: Support the Commission's legal investigation into alleged sales of Chilean IQF red raspberries to the US at less than fair market value.</p>
\$26,753	<p>WSDA Organics Food Program</p> <p>What: <i>Improving market access to the European Union (EU) for Washington organic food products</i></p> <p>Purpose: Develop and strengthen procedures for complying with the new European requirements for organic food products grown in Washington.</p>

ATTACHMENT 6

Trade Activities for Fiscal Year 2002: July 1, 2001 ~ June 30, 2002

Trade Shows, Showcases, Missions & In-Store Promotions

Food & Hotel China, Shanghai	August 2001
Japan Virtual Tasting	September 2001
Swedish Trade Mission	October 2001
Eastern Russia Trade Mission	October 2001
Direct Market Reconnaissance in Mexico	October 2001
ABASTUR Food Service Show in Mexico	October 2001
FoodEx, Tokyo	March 2002
Brussels Seafood Exhibition	April 2002
Outbound Chipping Potato Industry Trade Mission to Japan	April 2002
FMI	May 2002
Cherry Marketing in Mexico	June 2002

Market Access Program (MAP) Projects

Gigante In-store Promotion in Mexico	July 2001
Japan Nursery Delegation	August 2001
Berries to Japan	September 2001
Conxemar Seafood Show - Vigo, Spain	September 2001
Phytosanitary Nursery Project Experiment - Japan	November 2001
China Fisheries & Seafood Expo	November 2001
EMO Bakery Project - Korea	December 2001
Outbound Japan Nursery Tour	April 2002
IFIA - Tokyo	May 2002
Best of the West Cherry Promotion	July 2002

In-Bound Trade Missions and Buyers

Malaysian Food Service Cochran Mission	July 2001
Virtual Tasting in Tokyo via Video Conference	July 2001
Potato Trade Mission from Japan	July/August 2001
EU Seafood Mission	August 2001
Food Ingredients Trade Mission from Taiwan	August 2001
Sri Lanka/Indian Cochran Mission for Wine	August 2001
Food Ingredients Mission - China	September 2001
Reverse In-Store Mission - Taiwan	September 2001
In-Bound Mission - India	November 2001
Central Asia Cochran Mission	November 2001
Mexico Apple Buyers	December 2001
Apple In-Bound buyers - India	December 2001
Cochran Wine Mission from Poland & Russia	January 2002
Korean Caterers Group	February 2002
Fresh Fruit In-Bound Mission from Beijing	February 2002
Buyers Mission from Maxmark Supermarkets - Vietnam	February 2002
Buying Mission from Wellcome Supermarkets - Hong Kong	February 2002
Buying Mission from Makro - Taiwan	February 2002
Buying Mission - Guangzhou, China	February 2002
Apple Buying Mission from Eritrea	February 2002
Seafood Buyers from Korea	March 2002
Food Ingredients Mission from Brazil	April 2002
SE Asian Food Service Buyers Mission	April 2002
NRA Taiwan Buying Group	April 2002
SE Asian Emerging Markets Group	April 2002
Taiwan Tabletop Showcase	May 2002
Nicaraguan Trade Mission	May 2002

Government Delegations

Jalisco Agriculture Delegation	September 2001
JETRO	November 2001
New Zealand Delegation	November 2001
China Organic Delegation	April 2002
Vice Consul from Japan	April 2002
Taiwan Flour Millers Delegation	May 2002
Thai Ambassador in Seattle	May 2002
Cuban Ambassador Visit	June 2002
US Ambassadors & Senior Commercial Officers in SE Asia	June 2002

Trade Barrier Assistance

Salmon Eggs to Chile	July 2001
Chilean Salmon Dumping	July 2001
GMO Potato Issue	August 2001
Mexico Border Issue	August 2001
Tariff Classification Issue – Taiwan	September 2001
Thai FDA Requirements	September 2001
Overseas Licensing, Patents, & Exclusivity Agreements	November 2001
Apple Fumigation in Colombia	November 2001
Barriers to Dairy Blends – Mexico	December 2001
Uruguay Trade Barrier on Pet Food	January 2002
Texas Parks & Wildlife Confiscation of Pacific Oysters	February 2002
Potential Anti-Dumping Suit by Nursery Industry Against Canada	February 2002
Certificate of Origin for Oysters to Taiwan	February 2002
Border Issues with Ice Cream to Mexico	February 2002
Cherry Export Regulations for China	April 2002
Cherry Export to Mexico	April 2002
Manila Clams to Spain	June 2002
Apricots to Mexico	June 2002
Tree Fruit Ban in Colombia	June 2002

Trade Leads

398 Trade Leads Disseminated to Washington Companies	2001-2002
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Leveraged Funds/Export Financing

Assisted Four Companies in Using GSM and SCGP Programs	2001-2002
\$592,000 in USDA Market Access Program Branded Funds	2001-2002
\$110,000 USDA FSMIP Grant Money Received	2001-2002
\$309,800 in USDA Market Access Program Generic Funds/Cochran	2001-2002

Presentations and Export Seminars

Export Readiness Sessions	September 2001
Heart of Washington Presentation to PLU	October 2001
Presentation to the Legislature Economic Development Committee on Effects of Globalization on Washington Agriculture	October 2001
Presentation to Jiangsu Province Business Seminar - Nanjing, China	November 2001
Presentation to House Labor & Commerce Committee Regarding Effects of Current Recession on Agriculture	November 2001
IM Overview Presented at the Skagit Valley Commercial Farm Workshop	November 2001
IM Overview Presented to the PNW Vegetable Association	November 2001
NWWC Seminar	November 2001
IM Overview Presented to USDOC/FAS at Conference	November 2001
NW Chipping Potato Seminars in Japan	April 2002
Mexican Snack Food Seminar	May 2002
Branded Seminar in Seattle	June 2002
IM Overview Presented to Lt. Governor's Legislative Program	June 2002

Publications

Annual Report for 2000-2001	October 2001
"Pass the Chips, Please" Article, <u>Journal of the American Chamber of Commerce, Japan</u>	October 2001
Japanese Plant Showcase Tour, WSNLA's <u>B&B Magazine</u>	October 2001
Prepared Export Data for <u>PS Business Journal</u>	December 2001
Technical Guide to <u>NW Chipping Potatoes</u>	April 2002
Catalog of Selected NW Plants	April 2002
"Japanese Trade Network Offers Unlimited Opportunities," WSNLA's <u>B&B Magazine</u>	June 2002
"Potato Trade Trip Targets New Markets," <u>Columbia Basin Herald</u>	June 2002